

UNNUMBERED LETTERS ISSUED FOR THE MONTH OF NOVEMBER 2004

Dated	Subject	Distribution
11-05-04	Financial Management Division Review Guide Fiscal Year (FY) 2005	S/D
11-08-04	Renewable Energy Systems and Energy Efficiency Improvement Grants–Fiscal Year 2003 Extension of Letter of Conditions	S/D
	Filing of Financing Statements on Grantees and Grantee Property	S/D
11-09-04	Single Family Housing Direct Loans With Leveraging	S/D
11-12-04	Interest Rate Changes for Housing Programs and Credit Sales (Nonprogram)	S/D, RDM, AD
11-22-04	Community Facilities Guaranteed Loan Program Guidance on the Estimated Loss Claim in Liquidation Cases	S/D
11-23-04	Supervised Bank Accounts	S/D

November 5, 2004

SUBJECT: Financial Management Division Review Guide
Fiscal Year (FY) 2005

TO: Rural Development State Directors

ATTN: Administrative Program Directors and
Management Control Officers

Attached is a copy of the Financial Management Division (FMD) control objectives and techniques (COTs) and review guide for FY 2005. The COTs contain the objectives and scope of the FMD reviews and the review guide contains the areas that will be reviewed.

Both the COTs and review guide contain four separate sections or areas that will be reviewed as part of the FMD review:

- Section 1: Audits, Investigations, and Hotlines
- Section 2: Collections
- Section 3: State Internal Reviews (SIRs)
- Section 4: Federal Managers' Financial Integrity Act
(FMFIA) Implementation

The FY 2005 FMD review schedule was issued in an Unnumbered Letter dated August 6, 2004. States scheduled for review will receive advance notification prior to the review date. A confirmation memorandum will be provided approximately 30 days prior to the review date.

If there are any questions regarding the FMD reviews or the attached review guide, please contact FMD at (202) 692-0080.

(Signed by JOHN M. PURCELL)

JOHN M. PURCELL
Director
Financial Management Division

Attachments

EXPIRATION DATE:
November 30, 2005

FILING INSTRUCTIONS:
Administrative/Other Programs

Sent by Electronic Mail on 11/5/04 at 3:30p.m. by FMD.

**FY 2005 FINANCIAL MANAGEMENT DIVISION REVIEW
SECTION I: AUDITS, INVESTIGATIONS AND HOTLINES**

CONTROL OBJECTIVE	RISK LEVEL	POTENTIAL RISK	CONTROL TECHNIQUE
Ensure mission area is in compliance with requirements of Departmental Regulation (DR) 1720-1 and RD Instructions 2012-A and B.	MEDIUM	Violation of USDA and mission area regulations.	Verify the State Office is using the latest version of RD Instructions 2012-A and B to ensure compliance with USDA and mission area policies. As necessary, conduct training/teleconferences with Management Control Officers (MCOs) to discuss changes in policy, problem areas, and reinforce policy requirements.
Managers will promptly evaluate findings and recommendations reported by auditors; determine proper actions in response to audit, investigation, and hotline findings and recommendations; and complete responses and actions in a timely manner.	HIGH	Risk of possible fraud, waste, abuse, and misuse of Government assets. Negative publicity for mission area. Elevation of audit to higher level. Possibility of being reported to the President and Congress in the Office of the Chief Financial Officer's (OCFO's) Performance and Accountability Report. If investigations and hotline complaints are not resolved in a timely manner there is a risk of adverse actions or possible program mismanagement.	Require an automated tracking system within guidelines set forth in RD Instructions 2006-M, 2012-A, and 2012-B. Monitor for timely responses from managers utilizing the Automated Reports Tracking System (ARTS); advising managers of overdue responses and possible consequences. Review State Office (S/O) ARTS tracking of audit data for effective monitoring. Send copies of requests for audits and investigations to the Financial Management Division (FMD). Send copies of timely responses to FMD. Submit timely and complete responses to the Office of Inspector General (OIG) and OCFO.

CONTROL OBJECTIVE	RISK LEVEL	POTENTIAL RISK	CONTROL TECHNIQUE
State Director (SD) will assure that the MCO is designated to monitor, track, and keep safe all requests for audits, investigations, and hotlines. Confidentiality will be maintained on a need to know basis.	HIGH	Leaks of information to audited and investigated parties. Lack of timely responses. Risk of possible fraud, waste, abuse, and misuse of Government assets.	Require MCO participation in all entrance and exit conferences. Files will be maintained by the MCO. Files will be accessed through the MCO on a need to know basis. Files will be kept in a locked cabinet except when being used. Confidentiality will be maintained at all times.
Ensure proper maintenance of audit, investigation, and hotline files in accordance with mission area regulations.	LOW	Violation of Rural Development regulations. Lack of documentation for future reference.	Review filing system for maintenance retention requirements and required correspondence.
Ensure retention requirements are in compliance for files and automated records.	LOW	Lack of audit history. Violation of Rural Development regulations.	Review files and ARTS to ensure compliance.
Ensure mission area awareness of audit findings and recommendations.	MEDIUM	Offices not included in the audit are not informed of problems/findings and these offices may have similar problems. Training not provided on areas where deficiencies are occurring.	Require an analysis of audit findings for National Office (N/O) and S/Os (RD 2012-A). Require SD and MCO to inform offices within state of audit findings (RD 2012-A). S/O managers should review findings and perform training on areas identified as problems in audits (RD 2012-A).
Ensure ARTS complies with RD Instructions 2006-M and 2012-A and B.	MEDIUM	Lack of timely responses. Inadequate or incorrect data. Potential for loss to the Government. Violations of regulations.	Review ARTS screens for required components and data entry. Periodically print and review reports to ensure data entered is correct and timely responses are received.

**FY 2005 FINANCIAL MANAGEMENT DIVISION REVIEW
SECTION II - COLLECTIONS**

CONTROL OBJECTIVE	RISK LEVEL	POTENTIAL RISK	CONTROL TECHNIQUE
Ensure compliance with RD Instruction 1951-B.	HIGH	Possibility of fraud, theft, or misuse of Government funds.	Conduct reviews of the state collection process in accordance with RD Instruction 1951-B.
Ensure the associated duties of receiving and processing collections are rotated at least semi-annually in all offices.	MEDIUM	<p>Possibility of fraud, theft, or misuse of Government funds.</p> <p>Common errors of misapplied payments.</p> <p>Interest loss to the Government.</p>	<p>Rural Development Managers (RDMs) and/or S/O staff perform semi-annual reviews of the receiving and processing of collections, including separation of duties, and documentation of their findings.</p> <p>Documentation of findings in the operational files should be sufficient enough for the reviewer to determine an audit trail.</p>
Ensure S/O collection duties and activities comply with RD Instruction 1951-B.	HIGH	<p>Possibility of fraud, theft, or misuse of Government funds.</p> <p>Common errors of misapplied payments.</p> <p>Interest loss to the Government.</p>	<p>Supervisor or designee will review collections on a daily basis and document findings.</p> <p>Semi-annual review of the safeguarding and handling of collection activity in the S/O is conducted to determine that the associated duties are rotated at least semi-annually.</p> <p>Annual oversight review of S/O collections is conducted using RD Instruction 1951-B.</p>

CONTROL OBJECTIVE	RISK LEVEL	POTENTIAL RISK	CONTROL TECHNIQUE
Ensure collection reviews are performed during State Internal Reviews (SIR).	MEDIUM	<p>Possibility of fraud, theft, or misuse of Government funds.</p> <p>Common errors of misapplied payments.</p> <p>Interest loss to the Government.</p>	<p>SIR team member will perform a collection review during SIRs of Area Offices (A/O) and Local Offices (L/O).</p> <p>SIR team member will document their findings and include in the SIR written report to the SD, RDM, and Community Development Manager (CDM) as appropriate.</p> <p>Recommendations for corrective actions will be made and follow-up performed by the CDM and RDM as appropriate.</p> <p>The MCO and State Senior Management (SSM) team will review RDM and CDM responses and make recommendations for closure or additional action.</p> <p>MCO responsible for tracking all corrective actions until closure by the SD.</p>
Ensure the Form RD 1951-44 is completed monthly by the office supervisor and annually by the next level supervisor or designee. (CDMs review L/Os monthly and RDM reviews annually. RDM reviews A/Os monthly and S/O reviews annually.)	HIGH	<p>Possibility of fraud, theft, or misuse of Government funds.</p> <p>Common errors of misapplied payments.</p> <p>Interest loss to the Government.</p>	<p>The Form RD 1951-44 will be completed annually on S/O collections, with a copy maintained in the S/O operational file.</p> <p>The Form RD 1951-44 will be completed annually for all the L/Os and A/Os by RDMs for L/Os and either S/O or another A/O for all A/Os. A copy will be sent to the SD/MCO with a copy maintained by the L/O and A/O.</p> <p>The Form RD 1951-44 will be completed monthly for all A/Os and L/Os by the office supervisor and retained in the A/O and L/O operational files.</p> <p>The MCO will have a system to track and monitor to assure Interim Procedure</p> <p>Review Guides are completed in accordance with instructions for performing the reviews.</p>

**FY 2005 FINANCIAL MANAGEMENT DIVISION REVIEW
SECTION III - STATE INTERNAL REVIEWS**

CONTROL OBJECTIVE	RISK LEVEL	POTENTIAL RISK	CONTROL TECHNIQUE
Ensure mission area management control program is in compliance with the intent of the Federal Managers' Financial Integrity Act (FMFIA) and Office of Management and Budget (OMB) Circular A-123.	HIGH	Lack of management controls within the mission area programs. Violation of Federal law.	FMD, with the Senior Management Control Council (SMCC), develops, implements, and administers management control policies for the mission area. Director, FMD, chairs Management Control Advisory Groups (MCAGs) to provide input and elevate management control issues to the SMCC.
Ensure mission area is in compliance with requirements of the RD Instruction 2006-M and DR 1110-2.	MEDIUM	Violation of Department and mission area regulations. Lack of management controls within mission area programs.	FMD serves as the focal point for the mission area for all management control issues including audit, investigation, and hotline complaint inquiries/responses. Require that current RD Instruction 2006-M is used to ensure compliance with Department and mission area policies. Review State procedures and policies during reviews. As necessary, conduct regional teleconferences with MCOs to discuss changes in policy, problem areas, and reinforce policy requirements.
Ensure Management Control Reviews (MCRs) are conducted timely and properly, in accordance with the approved 5-year plan and RD Instruction 2006-M.	HIGH	Possible fraud, waste, abuse, and misuse of Government assets. Ineffective process with no follow-up.	Plan and coordinate all MCRs with program staff. Monitor status of corrective actions through ARTS. Conduct follow-up through closure of the report. Summarize findings for problem awareness, and identify material weaknesses for the FMFIA

CONTROL OBJECTIVE	RISK LEVEL	POTENTIAL RISK	CONTROL TECHNIQUE
			report.

CONTROL OBJECTIVE	RISK LEVEL	POTENTIAL RISK	CONTROL TECHNIQUE
Ensure State's management control program is in compliance with RD Instruction 2006-M.	HIGH	No consistency in management control programs nationwide.	<p>Conduct periodic review of the State's management control program.</p> <p>As necessary, provide training to MCOs on all Federal, Department, and mission area requirements.</p>
Ensure S/O is using the current RD Instruction 2006-M.	MEDIUM	<p>Inconsistent policies carried out in field offices.</p> <p>Problems in SIR process not corrected timely - process ineffective.</p>	Require that State Instructions or other written policies and procedures regarding the State Internal Review (SIR) process are in accordance with current RD Instruction 2006-M.
Ensure adequate personnel are designated to assist the SD to carry out management control responsibilities.	MEDIUM	<p>Lack of clear direction and awareness of responsibility could cause an ineffective management control program.</p> <p>Miscommunication and confusion among staff.</p>	<p>Require SD designate the MCO, SSM team, and SIR team members in writing to carry out responsibilities detailed in RD Instruction 2006-M.</p> <p>Require notification of MCO designation to all personnel within a state.</p> <p>Require MCO to report directly to SD to keep SD informed of all management control issues.</p> <p>Require updates and changes to MCO designation be submitted to FMD.</p> <p>Require SIR team members to be knowledgeable S/O staff.</p> <p>Require performance plans for MCO, SSM team, and SIR team members to determine if they accurately reflect management control responsibilities.</p>

CONTROL OBJECTIVE	RISK LEVEL	POTENTIAL RISK	CONTROL TECHNIQUE
Ensure 5-year SIR cycle is maintained.	HIGH	<p>Offices will not be reviewed on a rotational basis as required.</p> <p>All offices will not be reviewed.</p> <p>Some offices will be reviewed more than other offices without reason.</p> <p>Problems may not be detected and corrected for an extended period of time.</p> <p>Problems may escalate before being detected and corrected.</p>	<p>Require a log of SIRs to be performed on a fiscal year basis, scheduling all field offices and centralized program functions to assure reviews are accomplished on a minimum 5-year cycle.</p> <p>Require annual updates to the 5-year SIR schedule so that the current 5-year cycle is always reflected.</p> <p>Maintain a copy of planned and completed reviews documenting reasons for eliminating reviews or rescheduling in S/O 2006-M operational file.</p> <p>Require SSM team and MCO to select offices for SIRs/Mini-SIRs and establish the 5-year SIR schedule and subsequent updates.</p> <p>Obtain written waivers from FMD, if reviews are unable to be completed due to shortage of personnel, etc.</p>
Ensure SIRs are coordinated and comprehensive.	HIGH	<p>Risk of possible fraud, waste, abuse, and misuse of Government monies and assets.</p> <p>Without team review, reviews are sporadic and not comprehensive.</p> <p>Disruption to reviewed offices not kept to a minimum.</p> <p>Lack of coordination effort may reduce impact and efficiency of review process.</p>	<p>Require reviews that are comprehensive in nature including all items in the SIR Handbook (at a minimum) and reviewers must document when questions are not applicable "N/A".</p> <p>SIRs should be performed simultaneously by a joint team, with a SIR team coordinator (MCO), and SIR team members.</p> <p>Require MCO to serve as team coordinator for all SIRs.</p> <p>Require that appropriate external customers (borrowers, lenders, Realtors, etc.) are included in the SIR through documented interviews.</p> <p>Require that the appropriate number of dockets is reviewed and findings documented.</p>

CONTROL OBJECTIVE	RISK LEVEL	POTENTIAL RISK	CONTROL TECHNIQUE
Ensure centralized program functions are properly reviewed and included in the SIR process.	HIGH	<p>Risk of possible fraud, waste, abuse, and misuse of Government assets within a centralized program.</p> <p>Possibility of staff reviewing their own work and not reporting findings or weaknesses within the programs.</p> <p>No review conducted of a centralized program.</p>	<p>Require the inclusion of centralized program functions in the 5-year SIR schedule.</p> <p>Require review from external resources to avoid staff reviewing their own work.</p> <p>Review documentation of assistance received from external resources.</p>
Ensure SIRs are conducted in accordance with RD Instruction 2006-M.	HIGH	<p>Risk untimely reports and responses.</p> <p>Possible confusion and inefficiency in the review process.</p> <p>Uninformed and/or misinformed staff.</p> <p>Negative impact on the SIR process, as well as working conditions.</p>	<p>Offices scheduled for review must be notified in writing at least 20 workdays in advance of the SIR.</p> <p>Require entrance conferences at the beginning of each SIR.</p> <p>Require exit conferences at the end of each SIR with all SIR team members and staff from the reviewed office.</p> <p>Require participation of the SD, RDM, (or their designees), and the MCO in all exit conferences.</p> <p>SIR team members to discuss tentative review findings with staff from the reviewed office at the exit conference and provide reviewed office with draft report.</p>

CONTROL OBJECTIVE	RISK LEVEL	POTENTIAL RISK	CONTROL TECHNIQUE
Ensure final SIR report is issued timely.	MEDIUM	<p>Problems overlooked or not taken seriously if not identified in written SIR report.</p> <p>No accountability for managers if report not issued and corrective actions are not required.</p> <p>Potential for fraud, waste and abuse of Government assets to continue unnecessarily.</p> <p>Lack of emphasis on review process and review findings if report is not issued timely.</p>	<p>SIR team members required to submit final written reports to the S/O, Attn: MCO, within 10 workdays of the exit conference.</p> <p>The reviewed office is required to respond within 10 workdays from exit conference with an action plan to correct deficiencies reported in the exit conference.</p> <p>MCO and SSM Team review findings and action plans.</p> <p>SIR team coordinator (MCO) to issue final written report within 30 workdays of the exit conference under SD signature.</p> <p>Require report follow the format in RD 2006-and review for compliance.</p>
Ensure final SIR reports are complete and in compliance with RD Instruction 2006-M	MEDIUM	<p>Missing information may cause confusion in responses and follow-up activities.</p> <p>Lack of documentation for future reference.</p> <p>Weaknesses/deficiencies may be overlooked.</p>	<p>Final SIR reports must be comprehensive and contain a cover sheet, executive summary, a summary by each program/ administrative area, plans for implementation of corrective actions, timeframes for follow-up, and dates for the next SIR and any Mini-SIRs.</p> <p>Program/administrative summaries must identify strengths, weaknesses, recommendations for corrective actions, and target dates for completion.</p> <p>Each weakness in the report has a corresponding recommendation for corrective action with a target date for completion.</p>

CONTROL OBJECTIVE	RISK LEVEL	POTENTIAL RISK	CONTROL TECHNIQUE
<p>Ensure Mini-SIRs are conducted when required.</p>	<p>HIGH</p>	<p>Problem areas continue to deteriorate without further attention and review.</p> <p>Non-compliance has no consequences and problems are recurring.</p>	<p>Compliance scores are to be calculated utilizing the SIR Handbook automated spreadsheets provided by FMD.</p> <p>Program/administrative areas scoring less than 80% compliance require a Mini-SIR within 6 months of the SIR report.</p> <p>Mini-SIR reviewers must document findings in a final report to the State Director, with copies to RDM and reviewed office, as appropriate, within 10 workdays of the Mini-SIR.</p> <p>Mini-SIRs require the same tracking and monitoring as full SIRs until all corrective actions have been implemented and the report is closed.</p> <p>Require monitoring and tracking of all Mini-SIRs separate from the SIRs.</p>

CONTROL OBJECTIVE	RISK LEVEL	POTENTIAL RISK	CONTROL TECHNIQUE
Ensure timely closure of SIR reports.	MEDIUM	<p>Reports closed without adequate review of responses and corrective actions may not have been performed.</p> <p>Inadequate responses and corrective actions performed.</p> <p>S/O management not working as a team to resolve problems identified.</p> <p>The same problems continue.</p> <p>Loss of funds or assets due to fraud, waste, and abuse not identified or corrected.</p>	<p>Require the use of ARTS to monitor follow-up activities that meet requirements of RD Instruction 2006-M.</p> <p>Report responses must be routed to S/O staff and SSM Team, and recommendations for closure are acted in a timely manner by the SD.</p> <p>Appropriate RDMs and CDMs must take corrective action to resolve the weaknesses identified and report, in writing, within 60 workdays of the issuance of the final SIR report, through the RDM, to the SD.</p> <p>RDMs are responsible to see that their CDMs respond timely and they are accountable to see that corrective actions have been taken and there is an audit trail.</p> <p>SD to notify RDM and CDM if further action is required and give another 60 workdays to respond until all actions are acceptable.</p> <p>When all corrective actions have been performed satisfactorily, the SD issues a closure letter to the RDM and CDM stating no further action is required.</p> <p>MCO oversees this process in the S/O and assures that follow-up is monitored and tracked effectively and that a documented audit trail is available in the S/O operational files.</p>

CONTROL OBJECTIVE	RISK LEVEL	POTENTIAL RISK	CONTROL TECHNIQUE
<p>Ensure mission area awareness of SIR findings and recommendations.</p>	<p>HIGH</p>	<p>States/Offices not reviewed are not informed of problems found in SIR process and these offices may continue making the same errors.</p> <p>Training not provided in areas where deficiencies are occurring.</p>	<p>Require annual summary of SIR findings to FMD by December 31st each year.</p> <p>Require S/O managers review findings and perform training in areas identified as problems.</p> <p>Require that SD share summary of SIR findings with all employees within their State for problem awareness.</p> <p>Require nationwide compilation and analysis by FMD of all annual SIR summaries distributed nationwide for problem awareness.</p>

FY 2005 FINANCIAL MANAGEMENT DIVISION REVIEW
SECTION IV - FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT IMPLEMENTATION

CONTROL OBJECTIVE	RISK LEVEL	POTENTIAL RISK	CONTROL TECHNIQUE
Ensure compliance with RD Instructions 2060-A, Exhibit B; and 2006-M; and FMFIA requirements.	HIGH	<p>Potential for waste, fraud, and abuse of Government assets.</p> <p>Lack of management controls allows problems to escalate without being detected and corrected.</p> <p>Inability to report reasonable assurance in Section 2 of the FMFIA year-end report.</p>	<p>Conduct periodic reviews of the State's management control program.</p> <p>Keep RD Instructions current.</p> <p>Conduct training and teleconferences as necessary.</p>
Establish a central person in each State to fulfill the requirements of FMFIA and provide guidance to the designated Deputy MCO (the SD).	HIGH	<p>No implementation of FMFIA within the State.</p> <p>Some controls in place in State but no central contact person, lack of continuity, and no follow-up to assure changes are made.</p> <p>Large losses of Government assets due to fraud, waste, and abuse.</p>	<p>SD designates a central contact person as the MCO for the State in writing to the individual and all State employees.</p> <p>Place MCO duties in the individual's position description and establish some form of measurable criteria in their performance plan.</p>
Assure that the MCO has management controls as a critical element in their performance plan and has adequate time to perform the duties assigned.	HIGH	<p>If not a critical element, the management control work may become low priority.</p> <p>Not having one person in control for early detection of potential risk areas within the State.</p>	<p>Management control responsibilities (Resource Management or clarifying language to include management control responsibilities) are a critical element in the MCO's performance plan.</p> <p>Notify FMD when changes take place in MCO, so no lapse of time takes place and arrangements for training can be made.</p>

CONTROL OBJECTIVE	RISK LEVEL	POTENTIAL RISK	CONTROL TECHNIQUE
<p>Meet the requirements of the law, FMFIA, DR 1110-2, and OMB Circular A-123, that all managers must comply with management controls and assure to the best of their ability that they are doing all within their power to prevent losses due to fraud, waste, and abuse.</p>	<p>HIGH</p>	<p>Possible violation of the law, potential administrative action may be taken.</p> <p>Potential for waste, fraud, and abuse of Government assets.</p>	<p>Ensure that management controls (Resource Management or clarifying language to include management control responsibilities) are a critical element in all managers' performance plans with specific criteria for evaluation of the job done.</p> <p>Provide periodic training in the area of management controls to managers and employees to keep them apprised of their responsibilities.</p>

FINANCIAL MANAGEMENT DIVISION REVIEW

FY 2005

SECTION I AUDITS, INVESTIGATIONS, & HOTLINES

STATE NAME
REVIEW DATE
REVIEWER
INTERVIEWEES

**SECTION I
AUDITS, INVESTIGATIONS, AND HOTLINES**

SECTION I.				# Rev'd	# Disc
1. Are all OIG audits and related materials maintained in a locked cabinet or other locked repository? [RD Instruction 2012-A, 2012.32(b)]	YES _____	NO _____	N/A _____	_____	_____
2. Are the audits and related materials maintained by the MCO?	YES _____	NO _____	N/A _____	_____	_____
If no to any of the above, explain.					
3. Are audit recommendations tracked and monitored by the MCO in the Automated Reports Tracking System (ARTS) for follow-up? [RD Instructions 2012-A, 2012.31 & 2006-M, 2006.605(h)(12) Obtain a copy of State Office ARTS tracking system for documentation.	YES _____	NO _____	N/A _____	_____	_____
If no, explain.					
4. Are Multi-State OIG audits being tracked and monitored in ARTS by the MCO? (Check to ensure the MCO is adding their 2-digit state postal code abbreviation to the end of the audit number, e.g. 04099-001-CH-WI.)	YES _____	NO _____	N/A _____	_____	_____
If no, explain.					

Question	YES	NO	N/A	# Rev'd	# Disc
5. Does the MCO attend all OIG and Government Accountability Office (GAO) entrance and exit conferences? (2006-M, 2006.605(h)(3))	YES —	NO —	N/A —	—	—
If no , explain.					
6. Are copies of all State responses to audits routed through the MCO for tracking in ARTS and distribution purposes? [RD Instruction 2012-A, 2012.12(e)]	YES —	NO —	N/A —	—	—
If no , explain.					
7. Are copies of all correspondence that pertains to audits forwarded to the Financial Management Division (FMD)? [RD Instruction 2012-A, 2012.24(e)]	YES —	NO —	N/A —	—	—
8. Are responses to open Audit Reports submitted in a timely manner? [RD Instruction 2012-A, 2012.12(e)(4)] (This information is provided to the reviewer by Audit Liaison prior to review.)	YES —	NO —	N/A —	—	—
If no , explain.					

Question	YES	NO	N/A	# Rev'd	# Disc
9. Are any state audits open without management decision over 180 calendar days of the report date?	YES _____	NO _____	N/A _____	_____ _____	_____ _____
10. If yes, has the MCO notified FMD of possible elevation to the National Office? [RD Instruction 2012-A, 2012.12(e)(10)]	YES _____	NO _____	N/A _____	_____ _____	_____ _____
11. Are any state audits open with management decision but without final action one year beyond the management decision date?	YES _____	NO _____	N/A _____	_____ _____	_____ _____
If yes , which ones and how long have they been open?					
12. Are audit findings and recommendations shared within the State? [RD Instruction 2012-A, 2012.12(e)(11)]	YES _____	NO _____	N/A _____	_____ _____	_____ _____
13. Are OIG investigations and related materials maintained in a locked cabinet or other locked repository? [RD Instruction 2012-B, 2012.60(b)]	YES _____	NO _____	N/A _____	_____ _____	_____ _____
14. Are OIG investigations and related materials maintained by the MCO?	YES _____	NO _____	N/A _____	_____ _____	_____ _____
If no , explain.					

Question	YES	NO	N/A	# Rev'd	# Disc.
15. Are investigations tracked in ARTS and monitored for follow-up in accordance with RD Instructions 2006-M and 2012-B? [RD Instruction 2012-B, 2012.59(a) and 2006-M, 2006.605(h)(12) Obtain a copy of State Office tracking system for documentation.	YES _____	NO _____	N/A _____	_____ _____	_____ _____
16. Are copies of all State responses to investigations routed through the MCO for tracking and monitoring purposes? [RD Instruction 2012-B, 2012.59(b) and 2012.64 (b)]	YES _____	NO _____	N/A _____	_____ _____	_____ _____
If no , explain.					
17. Are copies of new requests for investigations forwarded to FMD by the MCO, as required by RD Instruction 2012-B? [RD Instruction 2012-B, 2012.56(b)(2)]	YES _____	NO _____	N/A _____	_____ _____	_____ _____
18. Are responses to investigations submitted to FMD in a timely manner? [RD Instruction 2012-B, 2012.59(b)]	YES _____	NO _____	N/A _____	_____ _____	_____ _____
19. Are OIG hotline complaints and related materials maintained in a locked cabinet or other locked repository? [RD Instruction 2012-B, 2012.64(c)]	YES _____	NO _____	N/A _____	_____ _____	_____ _____
20. Are OIG hotline complaints and related materials maintained by the MCO?	YES _____	NO _____	N/A _____	_____ _____	_____ _____
If no , explain.					

Question	YES	NO	N/A	# Rev'd	# Disc.
21. Are hotline complaints tracked in ARTS and monitored for follow-up in accordance with RD Instructions 2006-M and 2012-B? [RD Instruction 2012-B, 2012.59(b)] Obtain a copy of State Office tracking system for documentation.	YES —	NO —	N/A —	—	—
If no , explain.					
22. Are copies of all State responses to hotlines routed through the MCO for tracking and distribution purposes? [RD Instruction 2012-B, 2012.59 and 2012.64(b)]	YES —	NO —	N/A —	—	—
If no , explain.					
23. Are responses to hotlines submitted in a timely manner to FMD as requested? [30 to 45 days to FMD] [RD Instruction 2012-B, 2012.64 (b)]	YES —	NO —	N/A —	—	—
If no , explain.					
24. Does ARTS contain all data required by RD Instructions 2012-A and B? [RD Instruction 2012-A, 2012.12 and 2012.31 and 2012-B, 2012.59]	YES —	NO —	N/A —	—	—

Question	YES	NO	N/A	# Rev'd	# Disc.
25. Are OIG audits and related correspondence retained for eight FYs, investigation and related correspondence for ten FYs, and hotlines and related correspondence for 10 FYs after closure date as required by RD Instructions 2012-A and B? [RD Instruction 2012-B, 2012.60(a) {investigations}; 2012.64(c) {hotlines}; and 2012-A, 2012.32(a) {audits}]	YES —	NO —	N/A —	—	—
NOTES:					

FINANCIAL MANAGEMENT DIVISION REVIEW

FY 2005

SECTION II COLLECTIONS

STATE NAME
REVIEW DATE
REVIEWER
INTERVIEWEES

SECTION II COLLECTIONS

SECTION II.				# Rev'd	# Disc'
1. Do SIR teams review collections during reviews of the Local and Area Offices; documenting their findings, including corrective actions, in a written report to the SD, RDM, and CDM?	YES —	NO —	N/A —	—	—
2. Has action been taken by the RDMs and the CDMs on recommendations made by the SIR teams?	YES —	NO —	N/A —	—	—
If yes , explain.					
3. For annual oversight reviews, are copies of the completed Form RD 1951-44, "Management Control and Review of Field Office Collection Activities," sent to the SD/MCO, Area Office Supervisor, and the Local Office Supervisor for each office reviewed?	YES —	NO —	N/A —	—	—
Who conducts these annual oversight reviews?					
4. Are monthly collection reviews being monitored for all offices processing collections?	YES —	NO —	N/A —	—	—
If yes , explain how.					

Question	YES	NO	N/A	# Rev'd	# Disc
5. Does the MCO monitor to ensure that all offices receiving and processing collections rotate the associated duties semi-annually?	YES _____	NO _____	N/A _____	_____ _____	_____ _____
<p>If yes, explain how.</p>					
<p>NOTES:</p>					

FINANCIAL MANAGEMENT DIVISION REVIEW

FY 2005

SECTION III STATE INTERNAL REVIEWS

STATE NAME
REVIEW DATE
REVIEWER
INTERVIEWEES

SECTION III STATE INTERNAL REVIEWS

SECTION III.				# Rev'd	# Disc
1. Are current State Instructions or other written policies and procedures regarding the State Internal Review (SIR) process in accordance with RD Instruction 2006-M?	YES _____	NO _____	N/A _____	_____	_____
2. Has the State Director (SD) designated the State Management Control Officer (MCO) in writing to have the oversight responsibility in implementing and maintaining the SIR process? [RD Instruction 2006-M, 2006.605(f)(1)(i)]	YES _____	NO _____	N/A _____	_____	_____
3. Have all personnel within the state been notified of the MCO designation? [RD Instruction 2006-M, 2006.605(f)(1)(i)(A)]	YES _____	NO _____	N/A _____	_____	_____
4. Have any changes in the MCO designation, or changes in the current MCO's phone and FAX numbers and e-mail and mailing addresses, been submitted to the Financial Management Division (FMD)? [RD Instruction 2006-M, 2006.605(f)(1)(i)(B)]	YES _____	NO _____	N/A _____	_____	_____
5. Does the MCO report directly to the SD? [RD Instruction 2006-M, 2006.605(h)(1)]	YES _____	NO _____	N/A _____	_____	_____
6. Is the MCO keeping the SD informed of issues relating to SIRs/Mini-SIRs? [RD Instruction 2006-M, 2006.605(h)(1)]	YES _____	NO _____	N/A _____	_____	_____
If no , explain.					

Question	YES	NO	N/A	# Rev'd	# Disc
7. Has the SD designated a State Senior Management (SSM) team in writing to assist the MCO with the planning through closing of SIRs? [RD Instruction 2006-M, 2006.605(f)(1)(ii), and (g)]	YES _____	NO _____	N/A _____	_____ _____	_____ _____
8. Does the state maintain a SIR 5-year plan that shows SIRs were planned and performed on a minimum 5-year rotational basis? [RD Instruction 2006-M, 2006.605(f)(3), (g)(1), and (h)(4)] Obtain a copy of the state's SIR 5-year plan for documentation.	YES _____	NO _____	N/A _____	_____ _____	_____ _____
If no , explain.					
If yes , who is responsible?					
9. Is the SIR 5-year plan in the operational files?	YES _____	NO _____	N/A _____	_____ _____	_____ _____
10. Do the SSM team and MCO determine the SIR 5-year plan annually? [RD Instruction 2006-M, 2006.605(g)(1), and (h)(4)(i)]	YES _____	NO _____	N/A _____	_____ _____	_____ _____
How is this accomplished?					

Question	YES	NO	N/A	# Rev'd	# Disc
11. Do the SSM team and MCO utilize various reports (e.g., management, financial office, FOCUS, etc.) in developing the SIR 5-year plan? [RD Instruction 2006-M, 2006.605 (g)(2)]	YES _____	NO _____	N/A _____	_____ _____	_____ _____
If no , What information is used?					
12. Does the state maintain a separate schedule/plan for Mini-SIRs that are required after SIRs are completed? [RD Instruction 2006-M, 2006.605(h)(5)]	YES _____	NO _____	N/A _____	_____ _____	_____ _____
13. Are the SIRs scheduled so 20 percent of the offices are reviewed each year on a minimum 5-fiscal year cycle? [RD Instruction 2006-M, 2006.605(h)(6)]	YES _____	NO _____	N/A _____	_____ _____	_____ _____
If no , explain.					
14. If a SIR exceeds the 5-fiscal year review requirement has the State Office obtained a waiver from FMD?	YES _____	NO _____	N/A _____	_____ _____	_____ _____
If no , explain.					
15. Have annual updates been made to the SIR 5-year plan so that the current 5-year period is reflected? [RD Instruction 2006-M, 2006.605(f)(3)(i) and (h)(4)(i)]	YES _____	NO _____	N/A _____	_____ _____	_____ _____
16. Have revisions to the SIR 5-year plan been submitted to FMD? [RD Instruction 2006-M, 2006.605(f)(3)(ii) and (h)(4)(ii) and (iii)]	YES _____	NO _____	N/A _____	_____ _____	_____ _____

Question	YES	NO	N/A	# Rev'd	# Disc
17. Is the review cycle for SIRs more frequent than the required minimum 5-fiscal year cycle? [RD Instruction 2006-M, 2006.609(b)(1)(i)]	YES _____	NO _____	N/A _____	_____ _____	_____ _____
If yes, explain. [NOTE: This is a strength question and a "NO" is <u>not</u> considered a weakness.]					
18. Are centralized program functions included on the SIR 5-year plan? [RD Instruction 2006-M, 2006.605(f)(3) and (h)(4)(i), and 2006.609(b)(1)]	YES _____	NO _____	N/A _____	_____ _____	_____ _____
19. Have any centralized program functions been reviewed since the last review?	YES _____	NO _____	N/A _____	_____ _____	_____ _____
If yes, answer questions 20-23. If no, mark questions 20-23 "N/A" and proceed to question 24.					
20. If assistance from another state was necessary to conduct the SIR of a centralized program function, was a written request made to the SD providing the assistance? [RD Instruction 2006-M, 2006.609(c)(3)(i)]	YES _____	NO _____	N/A _____	_____ _____	_____ _____
21. If assistance from another state was provided, did the SD requesting the assistance designate the SIR team member(s) from the other state in writing? [RD Instruction 2006-M, 2006.609(c)(3)(ii)]	YES _____	NO _____	N/A _____	_____ _____	_____ _____
22. If another state provided assistance with a SIR of a centralized program function:					
A. Were copies of all correspondence routed through the MCOs of both states? [RD Instruction 2006-M, 2006.609(c)(3)(iii)]	YES _____	NO _____	N/A _____	_____ _____	_____ _____
B. Were copies of this correspondence provided to the designated SIR team member(s) and their supervisors? [RD Instruction 2006-M, 2006.609(c)(3)(iii)]	YES _____	NO _____	N/A _____	_____ _____	_____ _____

Question	YES	NO	N/A	# Rev'd	# Disc
23. If assistance was requested from the National Office through FMD, was the request in writing and did it provide justification for the assistance? [RD Instruction 2006-M, 2006.609(c)(4)]	YES _____	NO _____	N/A _____	_____ _____	_____ _____
24. Has the SD designated all SIR team members in writing? [RD Instruction 2006-M, 2006.605(f)(1)(iii) and 2006.609(c)(2)(ii)]	YES _____	NO _____	N/A _____	_____ _____	_____ _____
25. Is the SIR team comprised of State Office staff that is knowledgeable of the area being reviewed? [RD Instruction 2006-M, 2006.609(c)(2)(i)]	YES _____	NO _____	N/A _____	_____ _____	_____ _____
26. Are SIR team members not reviewing their own work? [RD Instruction 2006-M, 2006.609(c)(2)(iii)]	YES _____	NO _____	N/A _____	_____ _____	_____ _____
27. Is the MCO the team coordinator for each SIR/Mini-SIR? [RD Instruction 2006-M, 2006.605(h)(2) and 2006.609(c)(2)]	YES _____	NO _____	N/A _____	_____ _____	_____ _____
If no , explain.					
28. Are SIRs performed by teams consisting of a SIR team coordinator and SIR team members? [RD Instruction 2006-M, 2006.609(c)(2)]	YES _____	NO _____	N/A _____	_____ _____	_____ _____
If no , explain.					

Question	YES	NO	N/A	# Rev'd	# Disc
29. Do State Office operational files provide an audit trail which clearly indicates that the field offices/centralized program functions were notified 20 working days prior to any SIR/Mini-SIR? [RD Instruction 2006-M, 2006.605 (h)(7) and 2006.609(d)(3)]	YES _____	NO _____	N/A _____	_____ _____	_____ _____
If no , explain.					
30. Does the SIR team conduct an entrance conference with the reviewed office at the beginning of the SIR to discuss the purpose and scope? [RD Instruction 2006-M, 2006.609(d)(4)]	YES _____	NO _____	N/A _____	_____ _____	_____ _____
31. Are SIRs of field offices/centralized program functions comprehensive in nature, including administrative and program areas? [RD Instruction 2006-M, 2006.609(d)(2)]	YES _____	NO _____	N/A _____	_____ _____	_____ _____
If no , explain any specific areas being left out? Why?					
32. Are the current SIR Handbook review guides used to conduct the SIR? [RD Instruction 2006-M, 2006.609(b)(1)(iii) and (d)(2)]	YES _____	NO _____	N/A _____	_____ _____	_____ _____
33. Has the state supplemented the SIR Handbook? [RD Instruction 2006-M, 2006.609(b)(1)(iv)]	YES _____	NO _____	N/A _____	_____ _____	_____ _____
If yes , what supplements were made?					
Obtain copies for documentation.					

Question	YES	NO	N/A	# Rev'd	# Disc
34. Are SIR team members indicating "N/A" on the review guide when questions do not apply? [RD Instruction 2006-M, 2006.609(d)(2)]	YES _____	NO _____	N/A _____	_____ _____	_____ _____
If no , explain.					
35. Are interviews conducted and documented in the SIR report for Rural Development office employees, lenders, borrowers, and organizations that routinely deal with the public? [RD Instruction 2006-M, 2006.609(d)(5)]	YES _____	NO _____	N/A _____	_____ _____	_____ _____
If no , explain.					
36. For individual-type loans are at least ten dockets being reviewed by the SIR team in each program area, and a representative sample of dockets reviewed for group-type loans? [RD Instruction 2006-M, 2006.609(d)(6)]	YES _____	NO _____	N/A _____	_____ _____	_____ _____
If no , explain.					
37. Did the review of loan dockets include loans recently closed, borrowers with servicing problems, guaranteed and direct loans, property in inventory, and rejected/withdrawn applicants? [RD Instruction 2006-M, 2006.609(d)(6)(i)]	YES _____	NO _____	N/A _____	_____ _____	_____ _____
38. Are dockets reviewed as part of the SIR noted with the review date and reviewer's signature and that findings and documentation are in the official SIR file? [RD Instruction 2006-M, 2006.609(d)(6)(ii)]	YES _____	NO _____	N/A _____	_____ _____	_____ _____

Question	YES	NO	N/A	# Rev'd	# Disc
39. Are SIR exit conferences held with the staff of the field office/centralized program function being reviewed? [RD Instruction 2006-M, 2006.609(d)(7)]	YES —	NO —	N/A —	—	—
If no , explain.					
40. Are the SD and Rural Development Manager (RDM), or their designees, and the MCO participating in SIR/Mini-SIR exit conferences (either in person or by teleconference)? [RD Instruction 2006-M, 2006.605(f)(2), (h)(3), and (k)(1) and 2006.609(d)(7) and (8)]	YES —	NO —	N/A —	—	—
If no , explain.					
41. Are the SIR team members discussing tentative findings - strengths and weaknesses, with the field office/centralized program function reviewed? [RD Instruction 2006-M, 2006.609(d)(7)]	YES —	NO —	N/A —	—	—
If no , explain.					
42. Is the SIR team members' final report of findings sent to the SD, Attention: MCO, within 10 working days of the date of the SIR exit conference? [RD Instruction 2006-M, 2006.609(e)(1)]	YES —	NO —	N/A —	—	—
If no , explain.					

Question	YES	NO	N/A	# Rev'd	# Disc
43. Did the reviewed field office/centralized program function provide an action plan to the SD, Attention: MCO, in response to the exit conference weakness findings within 10 working days of the date of the exit conference? [RD Instruction 2006-M, 2006.609(e)(2)]	YES _____	NO _____	N/A _____	_____	_____
If no , explain.					
44. Is there documentation in the SIR files to support that the SSM team assisted the MCO with the review of the SIR team findings and the reviewed offices' action plans? [RD Instruction 2006-M, 2006.609(e)(3)]	YES _____	NO _____	N/A _____	_____	_____
If no , explain.					
45. Was the final SIR report issued within 30 working days from the date of the exit conference? [RD Instruction 2006-M, 2006.609(e)(5)]	YES _____	NO _____	N/A _____	_____	_____
If no , explain.					
46. Was the final report issued under the SD's signature? [RD Instruction 2006-M, 2006.605 (f)(5) and (h)(8) and (9) and 2006.609(e)(5)]	YES _____	NO _____	N/A _____	_____	_____
If no , explain.					

Question	YES	NO	N/A	# Rev'd	# Disc
47. Did the final report contain all the required components? (Cover sheet (Exhibit A); executive summary; summaries by program/administrative area; and corrective actions with target dates for completion, responsible person, and documentation to reflect implementation.) [RD Instruction 2006-M, 2006.609(e)(4)]	YES —	NO —	N/A —	—	—
If no , which components were missing?					
48. Is Exhibit A of RD Instruction 2006-M, or a similar format containing the same information, used as the cover sheet for the final report? [RD Instruction 2006-M, 2006.609(e)(4)(i)]	YES —	NO —	N/A —	—	—
49. Do summaries of review findings by program and administrative function area identify strengths and weaknesses? [RD Instruction 2006-M, 2006.609(e)(4)(iii)]	YES —	NO —	N/A —	—	—
If no , explain.					
50. Does each weakness have a corresponding recommended corrective action with a target date for completion, responsible person, and documentation to reflect implementation? [RD Instruction 2006-M, 2006.609(e)(4)(iv)]	YES —	NO —	N/A —	—	—
If no , explain.					
51. Does the official SIR file contain all the supporting documentation (review guides, checklists, etc.) from the review? [RD Instruction 2006-M, 2006.609(f)]	YES —	NO —	N/A —	—	—

Question	YES	NO	N/A	# Rev'd	# Disc
52. Are compliance scores calculated for each area to determine if Mini-SIRs are required? [RD Instruction 2006-M, 2006.609(d)(9)]	YES _____	NO _____	N/A _____	_____ _____	_____ _____
<p>If yes, attach copies for documentation (i.e., SIR Handbook spreadsheet).</p> <p>If no, explain.</p>					
53. If the compliance scores from the SIR are 80 percent or higher, has the SD required a Mini-SIR for any other reasons? [RD Instruction 2006-M, 2006.609(j)(2)(i)(D)(2)]	YES _____	NO _____	N/A _____	_____ _____	_____ _____
<p>If yes, explain reasons.</p>					
54. If Mini-SIRs are required, are tentative dates for the review included in the final SIR report? [RD Instruction 2006-M, 2006.609(e)(4)(i)(G)]	YES _____	NO _____	N/A _____	_____ _____	_____ _____
55. Did the responsible RDM/Community Development Manager (CDM) provide written status reports to the SD every 60 working days until all corrective actions had been implemented and the report closed? [RD Instruction 2006-M, 2006.609(j)(1)(ii) and (x)]	YES _____	NO _____	N/A _____	_____ _____	_____ _____
<p>If no, explain.</p>					

Question	YES	NO	N/A	# Rev'd	# Disc
56. Are the MCO and entire SSM team reviewing the status reports from the RDMs/CDMs and making recommendations for further action or closure to the SD within 10 working days? [RD Instruction 2006-M, 2006.609(j)(1)(vii)]	YES —	NO —	N/A —	—	—
If no , explain.					
57. Is there clear documentation (audit trail) of SSM team and MCO reviews and recommendations of status reports in the State Office operational files? [RD Instruction 2006-M, 2006.605(g)(6) and (h)(10) and (11) and 2006.609(j)(1)(vii)]	YES —	NO —	N/A —	—	—
If no , explain.					
58. Are all field office/centralized program function status reports responded to by a SD memorandum? [RD Instruction 2006-M, 2006.609(j)(1)(ix)]	YES —	NO —	N/A —	—	—
59. Are all SIRs/Mini-SIRs of field offices/centralized program functions closed by a SD memorandum? [RD Instruction 2006-M, 2006.605 (f)(6) and 2006.609(j)(1)(ix)(B)]	YES —	NO —	N/A —	—	—
If no , explain.					

Question	YES	NO	N/A	# Rev'd	# Disc
60. If Mini-SIRs are required					
A. Are they completed within 6 months for administrative areas or 12 months for program areas of the date of the final SIR report? [RD Instruction 2006-M, 2006.609(j)(2)(i)(C)]	YES _____	NO _____	N/A _____	_____ _____	_____ _____
If no , explain.					
B. Are the dockets that contained the weaknesses from the SIR reviewed again to ensure that corrective actions have been implemented? [RD Instruction 2006-M, 2006.609(j)(2)(i)(E)]	YES _____	NO _____	N/A _____	_____ _____	_____ _____
C. Are new dockets reviewed to ensure the process has been corrected and new errors are not occurring? [RD Instruction 2006-M, 2006.609(j)(2)(i)(E)]	YES _____	NO _____	N/A _____	_____ _____	_____ _____
D. Are Mini-SIR team reviewers documenting their findings and conclusions in a final Mini-SIR report to the SD, Attn: MCO, within 10 working days of the date of the Mini-SIR? [RD Instruction 2006-M, 2006.609(j)(2)(ii)(A)]	YES _____	NO _____	N/A _____	_____ _____	_____ _____
If no , explain.					
E. Are copies of the final Mini-SIR report provided to the RDM and the reviewed office, as appropriate? [RD Instruction 2006-M, 2006.609(j)(2)(ii)(A)]	YES _____	NO _____	N/A _____	_____ _____	_____ _____

Question	YES	NO	N/A	# Rev'd	# Disc
60. If Mini-SIRs are required (Continued)					
F. Are Mini-SIR team reviewers providing information, documentation, and specific dates that corrective actions were taken to support the Mini-SIR findings? [RD Instruction 2006-M, 2006.609(j)(2)(ii)(B)]	YES —	NO —	N/A —	—	—
If no , explain.					
61. Is the MCO utilizing the Automated Reports Tracking System (ARTS) to track and monitor the status of all SIRs/Mini-SIRs? [RD Instruction 2006-M, 2006.605(h)(12)] Obtain a copy of State Office tracking system for documentation.	YES —	NO —	N/A —	—	—
62. Are the SIRs/Mini-SIRs summarized annually (SIR Summary Report) and a copy provided to the Director, FMD by December 31? [RD Instruction 2006-M, 2006.605 (f)(7) and (h)(13) and 2006.609(h)]	YES —	NO —	N/A —	—	—
If no , explain.					
63. Are SIR Summary Reports shared with all offices for problem awareness? [RD Instruction 2006-M, 2006.605(f)(7)]	YES —	NO —	N/A —	—	—

Question	YES	NO	N/A	# Rev'd	# Disc
64. Does the State Office utilize the Nationwide SIR Summary Report when developing the State's Annual Training Plan? [RD Instruction 2006-M, 2006.605(f)(8)]	YES _____	NO _____	N/A _____	_____ _____	_____ _____
If no, explain.					
NOTES:					

FINANCIAL MANAGEMENT DIVISION REVIEW

FY 2005

SECTION IV FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT

STATE NAME
REVIEW DATE
REVIEWER
INTERVIEWEES

SECTION IV FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT (FMFIA) IMPLEMENTATION

SECTION IV. (Note: All references to the MCO also include the Alternate MCO.)				# Rev'd	# Disc
1. Has the State Director (SD) designated one person in writing to serve as the State Management Control Officer (MCO)? [RD Instruction 2006-M, 2006.605(f)(1)]	YES —	NO —	N/A —	—	—
2. Were all State employees notified, in writing, of their State MCO? [RD Instruction 2006-M, 2006.605(f)(1)]	YES —	NO —	N/A —	—	—
3. Does the MCO's position description contain management control responsibilities as a collateral duty?	YES —	NO —	N/A —	—	—
4. Does the MCO's performance plan include criteria for evaluating management control responsibilities within the State?	YES —	NO —	N/A —	—	—
5. Are Management Controls /Resource Management included as a critical element in the MCO's performance plan? [RD Instruction 2006-M, 2006.605(f)(4)]	YES —	NO —	N/A —	—	—
6. Have any changes been made in the last five years regarding the MCO designation? [RD Instruction 2006-M, 2006.605(f)(1)]	YES —	NO —	N/A —	—	—
7. If so, did the SD designate the new MCO in writing and notify FMD in a timely basis? [RD Instruction 2006-M, 2006.605(f)(1)]	YES —	NO —	N/A —	—	—
If no, explain.					

Question	YES	NO	N/A	# Rev'd	# Disc
8. Has the current MCO received any management control training by FMD? [RD Instruction 2006-M, 2006.605(e)(3)]	YES _____	NO _____	N/A _____	_____	_____
If yes , explain.					
9. Do all managers/supervisors, GS 13 and above, have Management Controls/Resource Management as a critical element in their performance plans? [RD Instruction 2006-M, 2006.605(f)(4), RD Instruction 2060-B, 2060.8 (b)(5)(viii)]	YES _____	NO _____	N/A _____	_____	_____
If no , list which managers do not have Management Controls/Resource Management as a critical element in their performance plans.					
10. Has the MCO provided any management control training to State employees in the last 2 years?	YES _____	NO _____	N/A _____	_____	_____
If yes , please explain: What training was provided, When it was provided, Who attended the training? For Strengths only – not a Weakness. Obtain a copy of agendas, lesson plans, and/or other training materials, if available.					
NOTES:					

November 8, 2004

SUBJECT: Renewable Energy Systems and Energy Efficiency
Improvement Grants–Fiscal Year 2003
Extension of Letter of Conditions

TO: State Directors, Rural Development

ATTN: Rural Energy Coordinators

The purpose of this unnumbered letter is to provide guidance regarding extending the letter of conditions for the Renewable Energy Systems and Energy Efficiency Improvements Grant Program.

Renewable Energy Systems projects often require up to 2 years to complete. There are many legitimate reasons for delays beyond 2 years, such as permitting and meeting local and State requirements, especially when States and local governments are unfamiliar with the technologies. Many wind projects awarded grants in FY 2003 were delayed by applicants because the projects needed the production tax credit to be feasible. Please do not deobligate grants that are affected by these issues. In these cases you should extend the letter of conditions to allow grantees more time to get their projects completed.

The President signed the Production Tax Credit on October 4, 2004. This credit will improve the grantee's ability to cash flow, as they will receive a tax credit of 1.5 cents per kilowatt-hour for power produced by wind turbines. Although the bill has become law, it still may take several months for a grantee to obtain final approval for financing their projects. Therefore, you should work closely with the grantee and grant extensions to the letter of conditions as necessary.

If you feel it is necessary to deobligate grants for cause, please contact Joseph Ben-Israel, Processing Branch Chief, Specialty Lenders Division at (202) 720-6819 prior to deobligation. The success of the program is dependent on the support and flexibility of the State Offices in helping applicants deal with the uncertainties of the development process.

(Signed by Peter J. Thomas)

PETER J. THOMAS
Administrator

EXPIRATION DATE:
November 30, 2005

FILING INSTRUCTIONS:
Community/Business Programs

November 8, 2004

SUBJECT: Filing of Financing Statements on Grantees
and Grantee Property

TO: State Directors, Rural Development

ATTN: Business Programs Directors

State Offices have requested guidance on policy and procedures regarding the filing of financing statements [under the Uniform Commercial Code] to evidence federal interest in a Business Program grantee's personal property, such as machinery, equipment, and furnishings. Such filings would be intended to inform third parties of the existence of federal grant interest. The filing procedure would prevent a purchaser from obtaining clean title or a lender from getting a good security interest in the personal property assets without the prior approval of Rural Development State Offices.

The following guidance is offered to field staff:

The Uniform Commercial Code [hereinafter "Code"] and particularly Article 9, as amended, provides for filing a financing statement as a means to allow notice to lenders, creditors and prospective purchasers of a lien interest. The Code intends for the financing statement to demonstrate, when properly filed or perfected, the existence of an indebtedness or obligation to the secured party by the debtor. The financing statement specifies the property that is subject to the lien interest of the secured party.

Use of the financing statement filing process as provided by the Code is not deemed suitable for giving notice of the Agency's residual interest in grant property. There exists a serious issue as to whether the Agency meets the definition of a secured party under Article 9 of the Code. It is questionable, therefore, whether the Agency could be properly perfected under the Code.

The burden imposed on field staff first to file, and then to renew, financing statements is not insubstantial. Grantees may justifiably object to executing the financing statements. Lenders or lessors who subsequently extend credit to the grantees will likely require release of any Agency financing statement where only a grant relationship, and no lien interest, exists. Therefore, State Offices are advised to avoid using financing statements to evidence the agency's contingent interest in the grant property.

EXPIRATION DATE:
September 30, 2005

FILING INSTRUCTIONS:
Business/Community Programs

Applicability–Grant Programs

This policy is intended to apply to the Rural Business Enterprise Grants, Rural Business Opportunity Grants, and the Renewable Energy Systems and Energy Efficiency Improvements Grants programs.

If you have any questions, please contact Joseph Ben-Israel, Processing Branch Chief, Specialty Lenders Division, (202) 720-6819.

(Signed by William F. Hagy, III)

WILLIAM F. HAGY III
Deputy Administrator
Business Programs

November 9, 2004

SUBJECT: Single Family Housing Direct Loans With Leveraging

TO: Rural Development State Directors

ATTENTION: Single Family Housing Program Directors

In an unnumbered letter regarding the same subject dated September 24, 2004, unwavering leveraging percentages to qualify for the equivalent interest rate (EIR) without consideration of the floor payment were outlined. Effective October 1, 2004, a minimum of 20 percent of the total transaction must be leveraged when supplemental financing is at market rates or 15 percent when supplemental financing consists of affordable housing products to qualify for the EIR without consideration of the floor payment.

This reaffirmation in the policy was made in advance of an alternation to the UniFi system. When market rate financing is entered on the Leveraged Loan / Maximum Loan Amount Worksheet regardless of the percentage, the question that asks, "Will other lenders Participate in this loan," under the determinations is automatically marked "yes" and the Section 502 Worksheet automatically lists the interest rate at the EIR. The system does not currently allow users to override these automatic processes.

Until the system is modified, follow the steps below when processing transactions with supplemental market rate financing that does not meet the required percentage of 20 percent or more.

- Do not enter the supplemental financing information on the Leveraged Loan / Maximum Loan Amount Worksheet in UniFi.
- On the Max Ln/Pymt Assist Criteria Screen in UniFi, click on the Other RHS Loans & Grants. In the subsidized P&I field enter the total monthly principal and interest payment associated with the supplemental financing. In the outstanding balance field enter the total supplemental financing. By doing so, the payment will be appropriately figured into the applicant's principal, interest, taxes, and insurance ratio and the total loan amount will be reflected on the second page of the Eligibility Summary.

EXPIRATION DATE:
November 30, 2005

FILING INSTRUCTIONS:
Housing Programs

- Make a note on the Eligibility Summary that the other RHS loans are actually supplemental financing.
- When processing the payment assistance agreement in MortgageServ, enter“N”in the TYPE/PARTICIPATION field.
- Update the DELINQUENT/LIENHOLDER screen in MortgageServ.

Follow the steps below when processing transactions with supplemental financing that consists of affordable housing products that do not meet the required percentage of 15 percent or more.

- In UniFi, process as normal but **do not** perform the workaround discussed in the Pre-Qualification Chapter in the DLOS Manual to prompt the use of the EIR without consideration of the floor payment. The workaround instructs users to return to the Program Eligibility Determination Screen, mark“yes”for the question that asks,“Will other lenders participate in this loan”, and then immediately print the Eligibility Summary through the menu icon (do not arrow to the next page).
- When processing the payment assistance agreement in MortgageServ, enter“N”in the TYPE/PARTICIPATION field.
- Update the DELINQUENT/LIENHOLDER screen in MortgageServ.

If you have any questions regarding this memorandum, please contact Brooke Baumann of the Single Family Housing Direct Loan Division at (202) 690-4250.

(Signed by Russell T. Davis)

RUSSELL T. DAVIS
Administrator

November 12, 2004

SUBJECT: Interest Rate Changes for Housing Programs
and Credit Sales (Nonprogram)

TO: Rural Development State Directors,
Rural Development Managers,
and Area Directors

ATTN: Rural Housing Program Director

The following interest rates, effective December 1, 2004, are changed as follows:

<u>Loan Type</u>	<u>Existing Rate</u>	<u>New Rate</u>
-------------------------	-----------------------------	------------------------

ALL LOAN TYPES

Treasury Judgement Rate	2.140%	2.270%
-------------------------	--------	--------

The current rate shown above is as of the week ending October 29, 1, 2004. The actual judgement rate that will be used will be the rate for the calendar week preceding the date the defendant becomes liable for interest. This rate may be found by going to the Federal Reserve web site for the weekly average 1-year CMT yield (www.federalreserve.gov/releases/h15/data/wf/tcm1y.txt).

RURAL HOUSING LOANS

Rural Housing (RH) 502 Low or Moderate	6.000	6.000
---	-------	-------

EXPIRATION DATE:
December 31, 2004

FILING INSTRUCTIONS:
Administrative/Other Programs

Single Family Housing (SFH) Nonprogram	6. 500	6.500
Rural Housing Site (RH-524), Non-Self-Help	6. 000	6.000
Rural Rental Housing and Rural Cooperative Housing	6. 000	6.000

Please notify appropriate personnel of these rates.

(Signed by Russell T. Davis)

RUSSELL T. DAVIS
Administrator
Rural Housing Service

Sent by Electronic Mail on 11-16-04 at 8:00 a.m. by PAD.

November 22, 2004

TO: State Directors
Rural Development

ATTN: Community Programs Directors

FROM: Russell T. Davis *(Signed by Russell T. Davis)*
Administrator
Rural Housing Service

SUBJECT: Community Facilities Guaranteed Loan Program
Guidance on the Estimated Loss Claim in Liquidation Cases

To provide guidance to the Rural Development Community Programs Director and staff for actively pursuing submission of an estimated loss claim when a loss is expected to occur in connection with liquidation of a loan. Early payment of the estimated loss claim reduces the amount of accrued interest, due to the reduction of principal, if a final loss claim is paid. It improves case management and recovery on the debt through periodic evaluations and facilitates needed modifications to the liquidation plan.

Paragraph 3575.95 of RD Instruction 3575-A authorizes the payment of an estimated loss claim based on the collateral value after the lender obtains title to collateral in a liquidation situation. Payment of the estimated loss claim will be based upon the fair market value of the collateral determined by a current appraisal of the collateral and only after the lender's liquidation plan has been submitted and approved by the Agency.

The lender's liquidation plan is required within 30 days after the lender and Rural Development agree to liquidate the guaranteed loan. The lender and the agency should be able to recognize at that time, the possibility of the collateral being acquired by the lender. The liquidation plan must adequately address that possibility and include an aggressive marketing strategy to resell the acquired collateral. A more thorough discussion of the liquidation plan is contained in RD Instruction 3575-A, §3575.81 (c).

EXPIRATION DATE:
November 31, 2005

FILING INSTRUCTIONS:
Community/Business Programs

When the lender, pursuant to the approved liquidation plan, has foreclosed on the collateral and obtained equitable title by bidding in the collateral at auction, the state servicing official should, upon notification by the lender of its title to the collateral, pursue submission of the lender's amended liquidation plan and estimated report of loss, if applicable. Payment of the estimated loss claim to the lender should be made within 30 days of the lender acquiring equitable title. Legal title does not have to be perfected to pay the estimated loss claim.

The lender must actively market the collateral for a reasonable period of time, but no less than 6 months. The liquidation plan, should be revisited every 90 days, by the lender and the state servicing official and amended, if necessary. If after a reasonable period of time, but no less than 6 months, the lender is unable to sell the collateral, then consideration should be given to holding discussions with the lender regarding submission of a final loss claim to the agency based on the fair market value of the collateral prior to its ultimate disposition. The final loss claim will be based upon the lender's actual cost and expense of acquiring, maintaining and marketing the property.

The loss occasioned by accruing interest will be covered to the extent of the guarantee to the date of final settlement provided the lender proceeds expeditiously with the liquidation plan approved by the Agency. Payment of the estimated loss claim within the 30 days of the lender acquiring title will substantially reduce the amount of any final loss claim paid.

If you have any questions concerning this issue, please contact Kendra Doedderlein at (202) 720-1503.

November 23, 2004

SUBJECT: Supervised Bank Accounts

TO: All State Directors
Rural Development

ATTENTION: Rural Housing Program Director

We continue to receive queries concerning the use of Supervised Bank Accounts (SBAs) in association with our housing programs. Specifically, these questions concern the requirement of some banks that Rural Development employees provide their social security numbers when opening a SBA. It is our understanding that bank officials have explained that this is required under the Customer Identification Program (CIP) as required by Section 326(a) of the USA Patriot Act, Pub. L. 107-56 (2001).

We have received clarification on this issue from the Justice Department, the Treasury Department, and the Federal Deposit Insurance Corporation (FDIC). The homeowner, depositor, etc., is the customer and subject to CIP provisions. Rural Development, being a government organization, is not considered a customer of the financial institution and is therefore exempt from the CIP requirements of the USA Patriot Act. Specifically 31 C.F.R. sections 103.22(d)(2)(ii) and 103.121(a)(3)(ii)(B) exempt all government agencies from CIP requirements. Each of the Agencies stated that if the government and its agencies are exempt as customers, the government officials who have signature authority in the course and scope of their official government duties are also exempt from CIP requirements.

Officials at the FDIC suggested that bank compliance officers should be able to provide clarification to local banks regarding this issue.

EXPIRATION DATE:
November 30, 2005

FILING INSTRUCTIONS:
Housing Programs

If you have any questions regarding this memorandum, please contact Michael Feinberg of the Single Family Housing Direct Loan Division at (202) 720-3214 or Janet Stouder of the Multi-Family Portfolio Management Division at (202) 720-9728.

(Signed by Russell T. Davis)

RUSSELL T. DAVIS
Administrator
Rural Housing Service